

**Finance Committee
February 26, 2014 – 3:30 p.m.
Scott Heyman Conference Room**

Present: Don Barber, Mack Cook, Peter Salton, Glen Morey, Jared Pittman (arrived at 3:40 p.m.)

Guests: Judy Drake, Rick Snyder, Steve Locey

Call to Order

Mr. Barber called the meeting to order at 3:34 p.m.

Approval of Minutes of December 17, 2013

The minutes of December 17, 2013 were accepted as presented.

Mr. Barber reported on a meeting he had with Scott Weatherby, Chair of the Joint Committee on Plan Structure and Design, following the last Committee meeting about the role of the Committee in the Consortium and that it is to keep the Consortium viable and is not a place for labor-management negotiations.

Mr. Locey said there are many parts to the Affordable Care Act. One of the things everyone has to deal with is the Employer Mandate which states coverage must be provided to full-time employees at a certain level of benefit. The way they have graded benefits has been by an “actual value calculator”. When the benefits of a health plan are loaded into the calculator it will return a percentage which is the average amount of the individual’s medical care that they would expect a plan to cover in a given year. If the value were 60% for example, that would be a bronze plan. There are also options in platinum, gold, and silver. He said the idea behind creating the Joint Committee was that Committee would be the venue where new plan designs would be discussed and rolled out through the Consortium. It is an advisory committee that has no power and exists for unions to select representation on the Board of Directors and to review and make recommendations back to the Board on things happening in the Consortium by a consensus building manner.

Mr. Locey said Locey and Cahill felt that since everyone else is talking about plans and the grading levels, that there should be discussion within the Consortium in that framework as well to examine plan options and to build plans that fit into the framework of the different levels. This would provide employers an option to provide a lower cost alternative that they didn’t have to offer before and that would allow them to comply with the Employer mandate. He said they laid out a plan in each of the benefit levels that they felt where standard plans and designed based on what Blue Cross Blue Shield was offering and were what they thought would be good additions to the benefit plans that are already available through the Consortium.

At the Joint Committee the discussion turned to where there was talk about negotiating plans. Mr. Locey said the he believes the discussion of different plan options causes fear within bargaining units because once they are approved plans they are additional options for bargaining. Mr. Barber said although that it is true and one way health costs can be managed, there are other ways including wellness.

Financial Report

Mr. Locey distributed the 2013 Treasurer’s Report data for year end. He stated the Consortium finished the year with slightly over \$3 million in net income and this includes paying

back \$1.6 million in the initial assessment which was paid back with 3% interest per year. At this point after accounting for liabilities and reserves the Consortium still has a very healthy fund balance of over \$5 million. He said when the five-year preforma was established the initial assessment was estimated to be paid back in the fifth year and was paid back at the close of the third year.

When the budget was built for last year it was built based on the entitites that existed at that time. Once the budget was built and put into place the City of Cortland and Town of Lansing joined. Mr. Locey said they went back and revised the budget with the inclusion of those municipalities. From a revenue perspective the Consortium finished close to where it was expected and ended the year about 7% above budget in overall expense but much of that is due to the \$1.6 million that was paid back to municipalities.

He called attention to a pie chart showing the 2013 expense distribution and said 93 cents on every dollar is going to pay out for claims, leaving 7% for everything else (ancillary benefits, professional fees, insurances, taxes, Stop Loss, Admin. Fees). From an efficiency perspective he said the Affordable Care Act requires large group health plans medical loss ratio to be at least an 85% level; therefore, the Consortium is well above the minimum threshold. With regards to claims the Consortium finished year on target which was better than expected because the Town of Lansing and City of Cortland were not included in the budgeted amount.

Mr. Locey provided a comparative of 2011, 2012, and 2013 and a look forward to the next couple of fiscal years based on initial estimates and a trend built in of 8%. He cautioned not to overreact in good years when there is a little excess and said he would rather bringing the increase down slowly rather than dramatically to avoid high spikes in other years.

Mr. Locey explained there are several factors that go into paid claims inflation and that it is not just increases in the cost of service. It is the cost of care from one year to the next, the utilization, illness patterns and large losses, inflation, new technologies in the marketplace and New York State and federal mandated benefits. He said in the past there has only been discussion of a specific plan and over the years. Because of the cost sharing in the plan there has not been the ability to negotiate fast enough increases in the members share of the cost to make the relationship that it was years ago in terms of the plan payment and the out-of-pocket member expense. Although employers are sharing in the premium contribution it has always been heavily weighted towards the member in terms of enhancements of the plan. He stated from the Consortium standpoint all they can do is make plans available and with those plans there is an associated rate and employers can only chose within the approved plans. Mr. Locey also noted that plans are now able to contain a wellness component that offers incentives to members.

Mr. Locey distributed and reviewed information on large losses and said for the first three years the Consortium received back in claims slightly over \$1.4 million and paid in \$1.3 million in premium which is not normal. Typically the Consortium should expect loss ratio of 60% in claims versus premium. One area he would like to look at next year relates to Stop Loss. The Consortium has to also purchase aggregate Stop Loss which is aggregate for the group as a whole and he would like to see the State to accept a lower trend.

Mr. Locey noted the information provided did not include prescription drug expenses and said on average medical expenses make up 71% of the claims and over 39% for prescription drug expenses. Prescription growth rates used to be higher than medical rate growth, however, they have slowed tremendously over the last few years primarily because of the number of

generic drugs that have entered the marketplace. He said there should have been a decline in drug expenses; however, there has been a dramatic rise in specialty drugs.

He provided copies of medical plan utilization reports based on treatment type and said the reports are standardly used by Excellus and show the aggregate amount paid in 2011, 2012, and 2013. He said if the Consortium is going to start to look at educational items it should pick a few areas to target and gave examples of emergency room use, diabetes, and smoking cessation. He said the information can be drilled down even further than presented such as breaking out urgent care center visits, as well as have Excellus tell how many of the emergency care visits were avoidable.

The second report showed medical plan utilization data by certain diagnosis classes. Mr. Barber said in order to determine which areas the Consortium may want to concentrate it may be helpful to get information from Excellus on their aggregate data to determine how much the Consortium is paying in comparison to the average population. Mr. Locey has requested this and expects to receive the year-end utilization report from Excellus in the next couple of weeks. He said a good wellness program can target areas to bring down body mass index, cholesterol and high blood pressure medications, and other areas in the medical plan in terms of cardiovascular disease and those areas can be tracked to see if any impact is being made.

Investment Vehicles for Reserves

Mr. Barber said the Article 47 and the Consortium's Municipal Cooperative Agreement contain language relating to the Consortium's ability to invest and there may other consortiums or collaborations where a number of municipalities have come together in ways to achieve a higher return on reserves. He asked Mr. Snyder to work with him on looking into what possibilities may exist for the Consortium.

Flu Clinic Funding

Mr. Cook distributed information from the last Owning Your Own Health Committee meeting with regard to the Consortium sponsoring a Consortium-wide employer chosen flu clinic. He said that Committee is asking the Finance Committee to join with them in recommending to the Board of Directors that the Board promote the opportunity for all eligible employees, retirees, and spouses, and dependents over age 19 to participate in a flu clinic. After hearing what options are available he said the Owning Your Own Health recommends that ProAct be charged with administering those clinics that those employers choose to conduct at a claim cost of \$25 per shot.

Mr. Cook said the Committee was not comfortable in making a recommendation on the funding for a flu clinic and is seeking guidance from the Finance Committee. Last year there were 1,283 claims administered through Excellus at a cost of 30 each. Outside of that, ProAct worked with a couple of municipalities independently and administered 200 additional flu shots of which the majority were in Cortland and paid by the City outside of the Consortium's claims budget. He said the Consortium is looking at an approximate cost of \$37,000 and asked for guidance on the best way in which to fund the clinic. He said if ProAct were to administer the clinic it would be at \$25 per flu shot and they could bill the Consortium directly. Excellus would administer the flu shots and would bill at \$30 each. Mr. Locey said he sees there being many benefits and there are many savings that cannot be quantified; his only concern would be sharing a cost through the Consortium if every municipality would not be participating. Mr. Cook noted the Committee met with the Tompkins County Public Health Director who reported the

Health Department is moving away from providing public flu shot clinics and also said the Department charges \$30 per vaccine.

Mr. Barber said four of the largest employers are already conducting flu clinics. Ms. Drake said employees are more likely to get a flu shot if it is convenient. Mr. Cook said flu clinics also provide an opportunity to promote a message and share information with employees.

It was MOVED by Mr. Cook, seconded by Mr. Morey, and unanimously adopted by voice vote, to join with the Owning Your Own Health Committee, in promoting a Consortium-wide sponsored flu clinic.

Mr. Locey said although the total will be included in the claims he will separate it out to show what was spent. Ms. Drake said it will important to have someone to “champion” the flu clinic and municipalities will need to encourage employees to attend; Mr. Barber said ProAct will help market it as well.

Summary of the Status of Medicare Supplement From Other Committees

Mr. Locey said at the next meeting of the Joint Committee on Plan Structure and Design action will be taken on a Medicare Supplement Plan to present to the Board of Directors. It is a standard plan with three drug options and associated rates. Once that occurs it will be up to the Board of Directors to see how the Board wants to proceed. He also reported Medicare Advantage programs are becoming nervous because federal reforms are looking to slash the subsidies they are paying to those programs and people with a Medicare Advantage program may be looking for another option. The Board of Directors will have to decide if and how it would be offered. He said he thinks they have rated it out at a fair level of premium for those people’s coverage and although it may not satisfy some people’s desire to have a real low cost option it is a lower cost option. He thinks the rate is fair and the way the benefits are structure it would not hurt the Consortium financially by having someone move from the active Medicare carve-out to the Medicare supplement.

Next Meeting

The following items were suggested for inclusion at the next meeting:

Financials, Investment Policy, Plan Design

Adjournment

The meeting adjourned at 5:00 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk